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Fish and Seafood Sector Update

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Fishery Products

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Report Highlights:

The current priority of the Federal Fishery Agency is to eliminate the excessive retail tax for fish and seafood and make the product more affordable for consumers. The new regulation for fish and fish products that is under development is being drafted in efforts to bring consistency and transparency in food safety and quality requirements for domestic and imported fish and to address structural problems in the sector, including financing and logistics. A recent price survey revealed that the average retail prices for fish and fish products increased from 2 to 5 percent depending on species since April 2009.

General Information:

Fish Quality

Since 2008, the Russian government is making efforts to boost fish and seafood consumption by

trying to eliminate the role of the middlemen and the excessive retail chain tax on fish and fish products. One of the priorities of the government was to set up a state-owned retail food chain “Okean”, which will be operating in three large port cities, including Vladivostok, Kaliningrad and Murmansk. However, this initiative has not resolved most the structural problems in the sector, including financing and logistics. Nevertheless the Head of the Agency is confident that he will help the industry to overcome hurdles by providing new retail outlets. According to him “the barrier of retail has not allowed fishermen to provide cheaper fish, as profit margins are eaten up by resellers and traders.”

In August 2009, the Head of the Federal Fishery Agency Andrey Krayniy paid a surprise visit to one of the local supermarkets “Perekryostok” to check on both availability and prices of fish and seafood products. According to him the major problem with the retail price being too high is that middlemen and retail chains inflate prices for processed fish for more than 100 percent and suppliers are making efforts to pass off cheaper types of fish as more expensive ones. However, his major concern was with the poor quality of fish. He blamed producers for importing low quality fish fillet from China. He also indicated that lab results proved that the water content in the cuts exceeded 50 percent. When products arrive in Russia, they are packaged in attractive packages and presented in the supermarkets as high quality product. In fact, laboratory tests conducted with support of “Rossiyskaya Gazeta” revealed that in a number of instances when the product called Pollock fillet, in fact turned out to be Pollock trimmings mixed with ice.

Another challenge for the industry is ground transportation as 65 percent of all fish is caught in the Russian Far East while the majority of consumers live in the European part of Russia. To transport fish from the Far East it may take up to two weeks and, in addition to time, there is a short supply of refrigerated trains.

Status of Technical Regulation on Fish and Fish Products

The head of the Federal Fishery Agency held a meeting with representatives of the Ministry of Health and fishery producers associations and organizations emphasizing the need to facilitate work on the technical regulation for fish and fish products. Participants in the meeting agreed that implementation of the new regulation will strengthen requirements for fish and seafood quality. The head of the Fishery Agency agreed that the primary objectives of the technical regulation for fish and fish products are: protection of consumers’ health; preventing consumers from low quality as well as from falsified products. It is expected that the regulation will be approved by the end of CY 2009.

Consumption

Recent study conducted by “Fontanka” magazine in St.Petersburg revealed that fish consumption has started to level off. However, there is still a tendency to purchase cheaper and traditional fish species, such as herring, mackerel, Pollock and salmon.

According to Rosstat average annual per capita of fish and seafood in Russia is 16.5 kilos, 6.5 kilos below medical recommendation. About 6 percent of Russians do not consume fish at all, and 38 percent prefer fresh and chilled fish, while 56 percent buy frozen fish. According to the same source

the most sold and popular species continue to be herring, Pollock, mackerel and salmon. Consumption of fresh frozen fish imported from Norway, Denmark, Murmansk, Far East, Kamchatka and Sakhalin currently dominates the Russian market.

Customer demand is led by herring, Pollock, cod, pink salmon, poutassou, and trout. Smoke-cured fish, and also salted and light-salted continue to be popular in Russia. About 45 percent of the segment is comprised of slight-salted salmon, 42 percent of light-salted trout, and 12 percent of herring. Currently the leading sales in dried fish segment are squid with a market share of 41 percent, which is attributed to increasing beer consumption.

Consumption level depends significantly on seasonality and geographical location. Generally, in summer customer demand for fish and seafood is decreasing. According to statistics, in central areas of Russia, including Moscow and St. Pete, 40 percent of all fish that is sold in retail is frozen, while in Sakhalin and Kamchatka 68 percent of chilled and fresh fish are sold. According to the report, fish and seafood consumption increases during the holidays, specifically during the New Year. For example, in autumn after potatoes are harvested in central regions, consumption of herring goes up.

According to the Federal Fishery Agency, since the beginning 2009 fishermen harvested 2.3 million MT of fish and seafood, up 12 percent from the same period of last year. Total salmon catch accounted for 422,000 MT or 112,000 MT more from the same period last year. However, despite a larger harvest this year the prices for fish will not decrease, mainly because of the high retail margin.

Currently fishermen can not sell their products directly to trade chains or retailers since the latter do not purchase on advance payment terms, and moreover, retailers do not take larger loads of fish for sale. The retailers pay for the product after it has been sold, or not earlier than in 45 days. This order gives an incentive for the fishermen to sell large volumes of their catch to the middlemen, who are ready to pay upfront and has got enough capacities to store the product. The fish is being packaged nicely and only then retailers will be willing to take it for sale.

There is a problem in inconsistency for shelf life requirements for domestic and imported fish, which results in some of unfair retailers taking advantage of it. For example, there are a number of instances when supermarkets would first freeze fish but later may defrost the product and pass it off as fresh, winding up price for “chilled” fish. According to GOST, shelf life requirements for domestically produced frozen fillet are 6 months, and for mackerel 4 months. However, requirements for frozen fish fillet shelf life imported from EU are 2 years. Russian wholesalers prefer to buy imported fish with shelf life period of 2 years. This type of product has more flexibility in terms of storing and can be held until the prices on the market go up.

For the last 2 years transportation cost of fish and seafood from the Far East to the European portion of Russia has increased significantly, as the result of the decision to abolish railway tariff preferences. Currently the Federal Fishery Agency is working with the Ministry of Transportation to revive the old system and set tariff preference for fish shipments during high harvesting season.

Price Survey

In August 2009, OAA Moscow conducted a price survey of fish and fish products in western Moscow retail outlets and open markets. Post observed a wide variety of traditional fish products - herring, mackerel, and salmon – as well as exotic products, including squid, mussels, prawns, snails, scallop and oysters. Also, the choice of ground fish frozen fillet, produced both locally and imported, continues to be rich. However, open markets do not offer such a variety of imported fish and seafood but rather have more choice of either locally produced fish or frozen fillet of pangasius and tilapia, imported from China. Since the end of 2008 purchasing power of the population has decreased as the result of the world economic crisis, stimulating demand for cheaper species of fish. The survey indicated that average retail prices for fish and fish products increased from 2 to 5 percent depending on species since April 2009.

Prices also differ significantly between retail outlets and open markets. The price for 1 kilo of chilled Norwegian salmon in Auchan is almost 2 dollars lower (about 400 Ru) than same product in the open market “Bagrationovskiy”. Auchan offers huge variety of chilled and frozen fish both domestically produced and imported, as well as different kinds of processed fish. Given the insignificant gap in prices between open markets and Auchan, consumers tend to make purchases at the retail outlet where the choice is wider and the product is sold in attractive and convenient packages. Average fish prices in upscale supermarkets such as “Pyaterochka” and “Sedmoy Continent,” tend to be 10 to 30 percent higher than that in the open markets. Chilled salmon from Norway is easily available for \$13 to \$15 per kilo, depending on the cut, at the open market and discount retailer Auchan. At Sedmoy Continent supermarket, the same product costs \$3 more per kilo. In general, the price for imported Norwegian syomga increased more than 20 percent since December 2008.

The price for frozen ground fish fillet, such as Pollock, cod and hake, varies by \$3-\$5 between regular convenience stores and supermarkets and open market and Auchan. Price difference between frozen ground fish fillet domestically produced and imported is around \$5. Since the beginning of 2009 the price of imported ground fish is higher by 8-10 percent, however, in the recent months the price increased by 2 percent, while the price for domestically produced fish increased up to 5 percent.

Prices for frozen Pollock and cod fillet from Iceland, Denmark and Norway, are sold at 150-220 Rubles per kilo in the open market, while the price for the same product at the Sedmoy Continent and convenient stores is up to 220-300 Rubles. The price for herring produced domestically and imported from Norway is nearly the same, 85 - 95 rubles per kilo and the price does not differ from the outlet.